

# **National Community Action Foundation**

810 First St N.E., Washington, D.C. 20002

(202) 842 2092      [www.ncaf.org](http://www.ncaf.org)

## **Energy and Poverty**

Testimony of David Bradley, Executive Director

House Committee on the Budget

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My name is David Bradley, Executive Director for The National Community Action Foundation (NCAF). NCAF is a private, non-profit organization which serves as an advocate and lobbyist for low-income programs. NCAF works on a broad range of issues, including: including the Community Services Block Grant, the Low-Income Home Energy Assistance, Weatherization, Workforce Development, Housing and Shelter for the Homeless, Health, Nutrition, Tax and Incomes Policy, Welfare Reform, Head Start, Child Care Block Grant. Community Action Agencies deliver most of the DOE Weatherization Assistance Program services, about 40% of the LIHEAP benefits and services, and more than \$100 million of 'leveraged' energy resources such as energy efficiency contracts from investor-owned utilities.

Our Community Action Agencies also work on redesigning and expanding the limited resources available today for keeping energy supplies flowing to the homes of the poor. They have been advocates at utility commissions and legislatures when the needs of residential customers are at stake.

Many members of this Committee have been vocally concerned about the energy situation we have faced this year. Members from both Majority and Minority of this committee are counted among the longstanding champions of LIHEAP. The Ranking Member Mr. Spratt is a long time champion of a vast range of our local initiatives. Congressman Moran is fresh off the field of funding battles on which, together, we fought for the President's Requestt for Weatherization last week – and got most of the way to victory.

A recent report, The Winter Behind, the Summer Ahead: Low-Income Energy Consumers Face a Harsh Spring by Economic Opportunity Studies of Washington confirms in cold statistics the growing anguish of low-income energy consumers. I am attaching a copy for the Committee Record; using Department of Energy statistics, it shows:

- Over the fiscal year 2001, the poor will need to spend about **one-fifth of their entire income** to purchase their basic home energy supplies for heat, hot water, lights and appliances;

- Worse, during the winter, the majority of poor ran up bills equal to **nearly 30%** of their entire winter income;
- These burdens were far worse for some:
  - o For homes heated with natural gas, bills since October for gas and electricity together have averaged \$1100 so far; they can expect another \$700 in costs for all energy before next fall;
  - o Fuel-oil users have spent about the same as gas customers so far this year; they face slightly lower summer bills;
  - o Propane users have been hit hard; their heating season costs, usually lower than average, averaged over \$1000;
  - o Homes heated by electricity did not fully experience the price increases in gas this winter; their heating season bills averaged over \$500 for all fuels; that statistic brings down the national average for all the poor. (DOE predicts no change in electricity costs; the bills we are seeing from communities across the country suggest the opposite, and we expect the burdens of electric heat users to become far worse shortly;)
- The households, who are not low-income, the majority of home consumers, will see annual energy bills total about 40% more on average than in past year, but their Energy Burden, or the percent of income they have to devote to energy, will be less than 5% - as compared to 20% for the poor. The change means they have to give up nearly one percent more of their budget on average this year; for moderate income families, the percentage is higher, of course. And this is a significant expenditure to most families. Other spending will be delayed.

*To put it another way, if the energy bills of a family with \$50,000 a year ate up the same share of its income that the annual energy bills of low-income families devour, their average energy bills for would be \$10,000. Of that, they would already owe more than \$6,000 today!*

When economics or nature brings on such crises, most families adjust activities to pay for necessities. The poor do not eat out, take trips or plan home remodeling that can be put off, they do not have the savings to tap. This year, most of them do not expect a tax refund check. The poor, who not have enough disposable

income to meet their needs and deal with life's unpleasant surprises at any time, face dramatic reductions in their budgets for food, shelter, medicine and other necessities. LIHEAP resources available this year have not kept up – but cuts loom in the future, nevertheless. The President's Budget Request would be a quarter lower than the resources available this year, if he chooses to release all emergency contingency funds.

Mr. Chairman, the 29 million households that qualify for LIHEAP will have spent \$44 billion for their household energy in fiscal year 2001. Available LIHEAP totaled about \$2.3 billion in federal funds and perhaps another \$200 million in contributions from charities, states and utilities. These funds are exhausted in most states; caseloads went up by about a million families, including people our local CAA's have never

seen come seeking help. We are told by the utilities that unpaid debts are at record levels and that stoppages of utility service will follow. We are hoping for a \$600 million supplemental.

In other words, \$2.5 billion cannot meet the need this winter. The future, under the new Budget Resolution, portends reductions in real discretionary spending.

**The Outlook: Similar bills, growing debt, shrinking assistance resources.**

MR Chairman, the reason consumer energy costs are national headlines is the story about the new price of natural gas. 60% of all Americans use gas, most of them for home heat. Natural gas deregulation is complete; this winter was a trial run of market pricing of this basic, irreplaceable commodity under severe weather conditions. It has proved de-regulation of a basic commodity means consumer prices will be unstable, at best, as demand is at the mercy of weather and the industry's needs. To the poor, this market means they cannot afford to be housed, fed and clothed, and to keep warm all in the same month.

There is no reason to believe these energy costs represent a short term or unpredictable phenomenon. In most areas, this winter's weather was not extreme; the weather service averaged about 7% colder than normal. This was far worse than in the previous two years that were warmer than normal and may have been the aberration. Normal weather will recur.

Further, retail gas and oil prices, while at record highs, are predicted by DOE to remain at comparable levels for several years. Attached is DOE's table of predicted residential costs: As you can see, natural gas prices are expected to be 24% higher next summer than this year, and roughly the same this winter. In 2002, they are not expected to improve. The Department of Energy predicts next years natural gas price, and the price this year will be essentially the same. \$ 9.77 and \$ 9.02. Fuel oil and propane prices are expected to be the same as well. And that is based on the weather being normal. The debts of the poor will keep growing, and the LIHEAP resources will not.

**WEATHERIZATION – a real solution but constrained by the spending caps:**

We are delighted to be working with the administration, which recognizes Weatherization Assistance is an effective way to provide immediate and permanent energy cost reductions to the neediest low-income consumers. No other federal program can promise comparable cost-effective, long-term impact on the energy burdens of the poor, while reducing demand so that all consumers benefit.

## **The Impact of the Proposed 2002 Funding Increases:**

- If the current Administration's Budget for FY 2002 restores the program to historic levels, family energy bill savings worth about \$37 million per year will be added annually, or about \$555 million over the life of the energy improvements purchased with the additional \$120 million.

## **Relieving the burden of rising bills, for years to come:**

- About \$48 million was billed to poor families this year that could have been avoided if the original program levels had been maintained over the past five years. In 1994, the Weatherization Program had planned to improve 200,000 more low-income homes by now than have actually been improved.
- While 15 to 20 million more low-income homes need Weatherization, about five million homes have already been Weatherized with DOE and leveraged funding in tandem since 1979. Taking into account the changes in the homes and the improvements program over time, the avoided energy cost – the fuel not used and not billed to that low-income population of Weatherized homes this year- is about one billion dollars. Clearly, this is comparable to nearly half of LIHEAP expenditures this year.

**But we did not win the full Presidential Request in the Interior Appropriations for 2002. Constraints on discretionary funds are pressing downwards on even this bipartisan initiative.** We hope to regain ground, with the help of the White House, before spending levels are set in stone..

And, finally, Mr. Chairman, those two domestic programs are not the only tools to solve this crisis; yet the proposed Additional Energy Policy offers nothing for the mid-term or long term needs of residential consumers.

- The supply of residential gas, fuel oil, and propane needs to be stabilized by re-building storage near the consumer, as proposed by the House Democratic Caucus;
- Regulations governing consumer protections, conditions in which families, children and or the elderly may be left in the dark or cold because they cannot pay must be re-examined. There is no longer real 'universal service!' The Federal Trade Commission should have a role in regulating the denial of service as a routine collection practice.
- Our public and rural power system has virtually no protections nor help for needy families – yet we continue to heavily subsidize its growth and operations.
- There were extraordinary fuel bills charged to our local Community Action Agencies, too. Our Head Start and Senior Day Care centers are not in modern updated facilities, not our multi-service centers, not Weatherization crew offices nor our food pantries. CAAs stayed open nights and weekends

through the worst of winter, and our overhead has skyrocketed. Our services may suffer; there are no Weatherization grants, subsidized loans or tax credits for our community-based centers.

- Indeed, the tax cut bill just put in place not only constrains programs, it put an end to the hope expressed in the programs of both parties that call for targeted tax credits as incentives for new technology and efficiency. CAAs could have used such credits as they use real estate investment credits, to lower the cost of energy efficient community developments.

In closing, we appreciate this opportunity to emphasize that the benefits of market pricing are really only available to those who can respond to them. The poor cannot, and our local community action agencies cannot. The nation must find a better response and more effective protection for the growing numbers of vulnerable families hurt by the new and transformed energy economy.